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AMEMBASSY BEIJING PRIORITY

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TAGS: [PARM](#) [MTCRE](#) [PREL](#) [MNUC](#) [ETTC](#) [CH](#) [IR](#)

SUBJECT: (C) IRAN AND SYRIA NONPROLIFERATION ACT --  
NOTIFICATION OF SANCTIONS AGAINST THREE CHINESE ENTITIES

REF: A. BEIJING 1625  
[1](#)B. STATE 28429  
[1](#)C. BEIJING 186  
[1](#)D. 06 BEIJING 14992  
[1](#)E. 06 STATE 112901  
[1](#)F. 05 STATE 171986  
[1](#)G. 05 BEIJING 15646  
[1](#)H. 05 BEIJING 20654  
[1](#)I. 05 STATE 228152

Classified By: EAP DAS THOMAS CHRISTENSEN FOR REASONS 1.4 (B),  
(D), AND (H).

[1](#)1. (U) This is an action request. Embassy Beijing  
please see paragraph 6.

[1](#)2. (S) Background: The Iran and Syria  
Nonproliferation Act (ISNA) requires periodic reports  
to Congress identifying foreign entities for which  
there is credible information indicating that they have  
transferred to or acquired from Iran or Syria items on  
multilateral control lists (Australia Group (AG),  
Chemical Weapons Convention (CWC), Missile Technology  
Control Regime (MTCR), Nuclear Suppliers Group (NSG),  
and the Wassenaar Arrangement (WA)) or other items with  
the potential to make a material contribution to  
missile, WMD, or certain other weapons programs. The  
USG has determined that the China National Precision  
Machinery Import/Export Corporation (CPMIEC), Zibo  
Chemet Equipment Company, and the Shanghai Non-Ferrous  
Metals Pudong Development Trade Co. Ltd. have engaged  
in activities, as noted above, that warrant the  
imposition of measures pursuant to Section 3 of  
the ISNA.

[1](#)3. (S) We have raised the activities of these three  
entities previously with the Chinese government.  
Specifically, we have discussed Zibo Chemet Equipment  
Company's transfers of glass-lined chemical processing  
equipment to Iran, most recently in July 2006 (Refs D  
and E). The Chinese have not provided any additional  
information on this case. We approached the Chinese  
government in March 2007 about CPMIEC's transfer of  
actuators to Mehr Engineering and Industrial Group,  
Iran's main solid-fueled ballistic missile developer  
(Ref B). In response, Chinese officials said that they  
were not aware of the new allegations against CPMIEC,  
but would convey the information to China's relevant  
experts for review (Ref A). To date, we have not  
received a substantive response from the Chinese  
government on CPMIEC's activities. Finally, in  
September 2005, we informed China that Shanghai Non-  
Ferrous Metals Pudong Development Trade Co. Ltd.  
shipped approximately 5 tons of Chinese-origin titanium  
sponge in mid-June 2005 to the Atomic Energy  
Organization of Iran (AEOI) (Ref F). We warned China  
that this completed transaction could result in  
potential sanctions against the transferring entity  
pursuant to the then-applicable Iran Nonproliferation  
Act of 2000 (subsequently amended and renamed the Iran  
and Syria Nonproliferation Act (ISNA)). We also told  
China that we would factor any information they shared  
into our potential sanctions determination, but China  
has not provided any substantive information, despite

repeated USG requests, most recently in January 2007 (Ref C).

¶4. (S) Accordingly, pursuant to the provisions of the ISNA, the following penalties are imposed on these entities, their subunits, subsidiaries, and successors:

- a. No department or agency of the United States Government may procure, or enter into any contract for the procurement of any goods, technology, or services from them;
- b. No department or agency of the United States Government may provide any assistance to them, and they shall not be eligible to participate in any assistance program of the United States Government;
- c. No USG sales to them of any item on the United States Munitions List are permitted, and all sales to them of any defense articles, defense services, or design and construction services under the Arms Export Control Act are terminated; and
- d. No new individual licenses shall be granted for the transfer to them of items, the export of which is controlled under the Export Administration Act of 1979 or the Export Administration Regulations, and existing such licenses are suspended.

These measures, which will take effect shortly, will remain in place for two years. We want to provide advance notice to the Chinese Government of this decision, note that this determination will be published soon in the Federal Register, and make clear that the penalties are only on the entities or individuals, not the PRC government. End Background.

¶5. (S) Purpose/Objective: To inform the PRC of the sanctions determination prior to its publication in the Federal Register early in the week of April 16. Post should make clear that the U.S. will continue to raise cases of proliferation concern with the Government of China and look for opportunities to cooperate in halting proliferation.

¶6. (S) Action request: Post is requested to provide the following suggested talking points to appropriate Chinese government officials and report response. Talking points also may be provided as a non-paper.

¶7. (S//REL CHINA) Suggested Talking Points:

-- The United States appreciates the regulatory and enforcement measures that China has taken to strengthen its export control regime. We want to continue our bilateral consultations and cooperation on nonproliferation issues for the benefit of both of our nations and of the rest of the international community.

-- Supplementing bilateral efforts with China and other nations, the United States will continue to take direct actions where warranted against entities from any country that engages in proliferation-related activity with Iran and Syria.

-- The United States has determined that there is credible information indicating that Zibo Chemet Equipment Company, the China National Precision Machinery Import/Export Corporation (CPMIEC), and the Shanghai Non-Ferrous Metals Pudong Development Trade Co. Ltd. transferred to Iran items on a multilateral control list, or other items that have the potential to contribute materially to WMD, missile, or certain other weapons programs in Iran.

-- Based on these transfers, we have imposed certain measures against these entities as provided in the Iran and Syria Nonproliferation Act (ISNA).

-- We have raised on past occasions our concerns about Zibo Chemet Equipment Company's transfer of chemical weapons-related equipment to Iran, including glass-lined chemical processing equipment, most recently in July 2006.

-- We also discussed with you in March 2007 CPMIEC's role in providing missile-related actuators to Mehr Engineering and Development Group, Iran's main solid-fueled ballistic missile developer. To date, we have not received a response from your government on these activities.

-- Furthermore, we informed your government in September 2005 that Shanghai Non-Ferrous Metals Pudong Development Trade Co. Ltd. shipped approximately five tons of Chinese-origin titanium sponge in mid-June 2005 to the Atomic Energy Organization of Iran (AEOI).

-- We have repeated our request for information on this transfer over the last year and a half, most recently in January 2007. China has not provided any further information on this transfer.

-- As we have discussed on numerous occasions, we view military and proliferation-related transfers to Iran very seriously, particularly in light of Iran's continuing refusal to meet IAEA and UN requirements with regard to its nuclear program.

-- Continued proliferation to Iran undermines our joint, diplomatic efforts to resolve the Iranian nuclear weapons issue and the crisis in the Middle East.

-- Accordingly, pursuant to the provisions of the ISNA, the following measures are imposed on these entities, and their successors, subunits, and subsidiaries:

a. No department or agency of the United States Government may procure, or enter into any contract for the procurement of any goods, technology, or services from them;

b. No department or agency of the United States Government may provide any assistance to them, and they shall not be eligible to participate in any assistance program of the United States Government;

c. No United States Government sales to them of any item on the United States Munitions List are permitted, and all sales to them of any defense articles, defense services, or design and construction services under the Arms Export Control Act are terminated: and

d. No new individual licenses shall be granted for the transfer to them of items, the export of which is controlled under the Export Administration Act of 1979 or the Export Administration Regulations, and existing such licenses are suspended.

-- These measures will take effect shortly and will remain in place for two years.

-- The determination against these three entities, as well as determinations against entities from six other countries, will be published soon in the Federal Register.

-- We would like to reiterate that in determining whether to impose ISNA sanctions, the USG considers all relevant information, including any information provided by your government on the results of its investigative and enforcement actions in these cases.

-- We look forward to continuing cooperation on export control and nonproliferation issues.

End suggested talking points

18. (U) Please slug any reporting on this issue for ISN/MTR and EAP/CM. A response is requested as soon as possible. Department point of contact is Matt Hardiman, ISN/MTR, 202-647-3176 (hardimanmx@state.sgov.gov).  
RICE

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End Cable Text